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ABSTRACT

This is the first annual report of the Interagency Low Income Opportunity Advisory Board. It describes the board's background, philosophy, and accomplishments to date. The purpose of the board is to carry out President Ronald Reagan's welfare reform initiative as spelled out in the Administration's 6-volume report, "Up From Dependency, A New National Public Assistance Strategy." This strategy calls for state-sponsored, locally controlled demonstrations of innovations in public assistance programs with the aim of reducing dependency on welfare programs. The following sections are included in this report: (1) "Introduction"; (2) "Background: The Welfare System in 1987"; (3) "Creation of the Interagency Low Income Opportunity Advisory Board"; (4) "Board Activities and Accomplishments"; (5) "The White House Workshop on Self-Help Efforts and Welfare Reform"; (6) "Status of the Welfare System in 1988"; and (7) "Recommendations." The following three appendixes are included: (1) "Establishment, Organization and Authority of the Interagency Low Income Opportunity Advisory Board"; (2) "Summary of Up From Dependency Report Series"; and (3) "Report of the Self-Help Working Group." One map is included. (JS)

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UP FROM DEPENDENCY

A New National Public Assistance Strategy

SUPPLEMENT 5

FIRST ANNUAL REPORT

U.S. DEPARTMENT OF EDUCATION
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Executive Office of the President
Interagency Low Income Opportunity Advisory Board

December 1988

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THE WHITE HOUSE

WASHINGTON

December 22, 1988

Dear Mr. President:

It is an honor to present to you the first annual report of the Interagency Low Income Opportunity Advisory Board, which you established 17 months ago. I believe you will find that the Board has produced many positive and lasting results in a short time, thus confirming the wisdom of your decision.

Now, for the first time, states can seek through one coordinating body all of the Federal approvals and waivers they need to undertake their own innovative welfare reform projects. Since the Board's creation it has endorsed the projects of 13 states and assisted them in obtaining their waivers and implementing their projects. Twelve other states currently have proposals before the Board and several of those have begun operating their projects, to the extent they can, even in advance of getting Federal waivers. The goal you assigned us in March of this year of having welfare reform demonstrations operating in half or more of the states by January, 1989 will be met.

The timing of your strategy to restructure the welfare system through increased state flexibility and decentralized decision-making could not be better. The nation is witnessing a dramatic surge in spirit and activity among those most impacted by our public assistance systems -- the welfare recipients themselves. One of the Board's greatest hopes is that the ideas of this burgeoning self-help and community support movement can be applied with ever-increasing effectiveness to reduce welfare dependency.

This surge in self-reliance should be bolstered by the recently enacted Family Support Act of 1988, signed by you on October 13, 1988. With your leadership, the Congress wrote into law your belief that our Nation's welfare system should encourage self-sufficiency. The Act places a new emphasis on the importance of work to decrease dependency, and assigns to the states a greater role in the welfare system.

Also, in its short history, the Board itself has emerged as an effective coordinating mechanism through which the Federal government can influence and assist the reform process, without becoming a burden to innovation and state flexibility. The enthusiastic support of the Board by the states, even by those not currently undertaking welfare reform demonstrations, shows how significant better Federal coordination is to your efforts to strengthen the states within the Federal system. It is my hope, and I believe I reflect the opinions of all the Board's members, that the Board will continue to serve your successor in this vital area of domestic policy.

Finally, I want to thank you personally, and on behalf of the Board, for your strong and consistent leadership in demanding a welfare system that leads to greater economic independence for low-income Americans, and in establishing and supporting the Board in pursuance of that worthy goal.

Highest regards,

Charles D. Hobbs
Assistant to the President
Chairman, Interagency Low Income Opportunity Advisory Board

It's time--this may be the most radical thing I've said in seven years in this office--it's time for Washington to show a little humility. There are a thousand sparks of genius in 50 states and a thousand communities around the nation. It is time to nurture them and see which ones can catch fire and become guiding lights.

States have begun to show us the way. They have demonstrated that successful welfare programs can be built around more effective child-support enforcement practices and innovative programs requiring welfare recipients to work or prepare for work.

Let us give the states even more flexibility and encourage more reforms. Let's start making our welfare system the first rung on America's ladder of opportunity--a boost up from dependency; not a graveyard, but a birthplace of hope.

President Ronald Reagan
1987 State of the Union Address

Up From Dependency: A New National Public Assistance Strategy

SUPPLEMENT 5

ANNUAL REPORT TO THE PRESIDENT

INTERAGENCY LOW INCOME OPPORTUNITY ADVISORY BOARD

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ANNUAL REPORT TO THE PRESIDENT

INTERAGENCY LOW INCOME OPPORTUNITY ADVISORY BOARD

INTRODUCTION

On July 20, 1987, President Reagan created the Interagency Low Income Opportunity Advisory Board, as part of the Executive Office of the President.

The purpose of the Board is to carry out President Reagan's welfare reform initiative as spelled out in Up From Dependency, A New National Public Assistance Strategy. This strategy calls for state-sponsored, locally controlled demonstrations of innovations in public assistance programs with the aim of actually reducing dependency. The Board facilitates this process by providing "one stop shopping" to states to try new approaches to providing welfare. By allowing states to include several public assistance programs in one welfare reform package, states are able, for the first time, to treat the welfare system as a system.

The Board provides states a mechanism by which they can now test dramatic changes in the welfare system when they think those changes would better meet the needs of their low income population. Instead of dealing with the many federal welfare programs and agencies piecemeal, states can now win approval of a comprehensive package. The Board will assist the state in its efforts to obtain the required waivers from the appropriate federal agencies.

As long as a state proposal stands a good chance of reducing dependency, does not increase net costs to the federal government, and can be properly evaluated, it will be approved. The new approval process is simpler, faster and more effective than past federal practice. State-based innovations in welfare practice are flowering as a result.

Maine is looking forward to beginning new and innovative approaches to welfare. We applaud the establishment of a single, interagency board to hear and discuss those approaches. It is a bold step toward better welfare systems.

Governor John McKernan, Jr.
Maine

As reforms are tested in the field and new ways are found to promote self-sufficiency, they can be incorporated into national welfare programs or other state programs. Over time, the system will change for the better. The President's welfare reform initiative will take several years to completely unfold and prove itself. We are confident the results will be all the more effective because of the measured pace of reform.

This report describes the background, philosophy, and accomplishments to date of the Interagency Low Income Opportunity Advisory Board. It also provides a number of specifications we hope the next administration will find helpful as it maps its anti-poverty plans.

In Appendix A, a detailed description of the Board's procedures and operating philosophy can be found.

A summary and review of the six volumes in the Up From Dependency series, which represents the most comprehensive look at America's welfare system ever taken, can be found in Appendix B. It was the first volume in this series, Up From Dependency, A New National Public Assistance Strategy, that led to the formal creation of the Interagency Low Income Opportunity Advisory Board.

Finally, Appendix C presents the conclusions of the Board's Self-Help Working Group's report on how the federal government can assist the self-help movement.

BACKGROUND: THE WELFARE SYSTEM IN 1987

In his 1986 State of the Union Address, President Reagan drew the country's attention to the problems of poverty and welfare in America. The welfare system, he said, contributed to a "sinful waste" of human spirit and potential.

The President charged the White House Domestic Policy Council to present to him an evaluation of public assistance programs and a strategy for action to meet the financial, educational, social and safety concerns of poor families. The goal, he emphasized, was "...real and lasting emancipation, because the success of welfare should be judged by how many of its recipients become independent of welfare."

The most comprehensive welfare study ever

In response to the President's charge, the White House Domestic Policy Council's Low-Income Opportunity Working Group made an extensive study of welfare in America. To even begin to understand this complex issue, a global view of the situation had to be taken.

The Working Group consulted think tanks and scholars, local political leaders and nearly half the nation's governors. Town meetings were conducted in seven cities. Twenty-two discussion groups of former and current welfare recipients were convened. Data were collected on almost 400 self-help anti-poverty projects. Moreover, hundreds of public assistance administrators from both federal and state agencies helped put together the most comprehensive description of the public assistance system ever completed.

The result was Up From Dependency, A New National Public Assistance Strategy. This report to the President assessed the welfare system's successes and failures. The report described the size, scope, and nature of the system and the tremendous frustrations that exist among America's poor.

For the first time, America's welfare system was looked at as a system. The report went on to propose a fundamental change in public assistance policy, and made specific recommendations for federal action. The proposed changes, if adopted, would make the system more effective in achieving its basic purpose: helping people to become independent, self-supporting members of our society.

A brief overview of the findings from Up From Dependency is presented here. For more information about the Up From Dependency series, please see Appendix B of this report. Information about how to order any of these volumes can be found there.

Major findings

Major findings from Up From Dependency regarding America's welfare system prior to 1987:

The welfare system traps welfare recipients in a spider's web of dependency.

For many on public assistance, the dole is like a narcotic. Over time, one's motivation is sapped. Learning how to "work the system" becomes more important than finding a job. Cynicism is replaced by apathy, which in turn results in dependency. The self-esteem one requires to become personally and economically independent is weakened.

The system is exceedingly complex and bureaucratic.

Over 6,000 pages of federal rules and regulations have been written to direct the administration of our public assistance programs. Eight federal departments and agencies that are involved in public assistance report to 22 Congressional oversight committees.

Each layer of federal bureaucracy is replicated and expanded at the state level. In turn, local governments have their own welfare system structures. A local caseworker might be guided by instructions whose pages, constantly being amended, run into the thousands. Some who may need aid do not receive any; others who are already above the poverty line qualify for and receive aid from several programs. Rules and regulations that govern one program often conflict with the dictates of another.

The system is costly.

In 1985, state and federal governments spent $132 billion on 59 major means-tested public assistance programs. By including additional minor programs (means-tested programs with spending levels of less than $20 million a year), the figure reaches $150 billion. To put these dollar amounts in perspective, the amount of this government spending on public assistance programs equals the entire gross domestic product of the country of Australia ($153 billion in 1985).

Spending on public assistance has grown dramatically over the years.

Federal and required state spending on major public assistance programs has grown from $21 billion in 1960 (constant 1985 dollars) to $132.2 billion in 1985. This represents 525 percent growth in constant dollars, or 7.6 percent growth per year since 1960. For this period, public assistance spending grew at over twice the rate of total federal spending.

Not only has there been tremendous spending growth; there has been a dramatic shift from cash to non-cash benefits such as Food Stamps and Medicaid. In 1960 three-quarters of all welfare came in the form of cash; by 1985 cash represented only 24 percent of welfare spending.

Non-cash benefits create additional dependency by reducing personal choice in the use of resources. They also are not counted in the measurement of official poverty rates. By not including the value of Food Stamps, Medicaid, and other non-cash benefits that a welfare recipient might receive, official poverty rates are significantly overstated.

Welfare spending is both inefficient and ineffective.

Only three-quarters of those below the official poverty line receive aid. Conversely, half of all public assistance dollars go to people whose income from all sources before means-tested benefits are counted is already above poverty. Federal and state governments spend more than twice what it would take to reduce the poverty rate to zero if all that money were given to poor people directly.

The problem lies not so much in the amount of money available, but in how it is spent. Much welfare spending is mistargeted. And much more time, effort, and money is spent on determining program eligibility and benefit levels (and processing the benefits) than on activities that actually lead people to get off welfare. The process is dehumanizing for all involved.

Welfare undermines family stability.

Some claim welfare causes families to break up. Others say the availability of welfare reduces the likelihood that two-parent families will form in the first place. An unmarried teenage mother-to-be may discount the importance of marriage if she knows the welfare system can be relied upon to take care of her financial needs. Fathers-to-be might feel less responsibility when they know the system will take care of the mother and child.

Though it is admittedly difficult to prove a relationship between the availability of welfare and the rising number of broken families and unwed mothers, there is much anecdotal evidence to suggest such a connection.

Many more points about the failures of America's welfare system were made in Up From Dependency. These points were backed up by many specific--and often very personal--examples. But the study went beyond making observations about what was wrong with the existing system. It made several recommendations regarding what positive elements should be included in a welfare system designed to reduce dependency.

TOWARD A MORE IDEAL WELFARE SYSTEM--GENERAL PRINCIPLES

To break the cycle of increasing despair and dependency, Up From Dependency identified several characteristics the welfare system should possess.

Our public assistance system should provide a safety net that insures public assistance will be an adequate supplement for other resources in meeting essential needs.

At the same time, determinations of need should be based on an individual's circumstances, not some federally determined formula that could have the effect of paying more to an individual than he or she really needs for basic living, or conversely, not paying enough to someone in great distress.

Public assistance should be provided only to those in need and only to the extent of that need. Decisions regarding eligibility and levels of benefits should be made at the local level, as members of local communities are most effective at understanding local conditions and needs. Organized self-help efforts are a vital component in the process of overcoming welfare dependency.

Public assistance resources should be focused on efforts that actually reduce future dependency among those capable of contributing to their own support. In pursuit of this objective, public assistance recipients should be required to take greater responsibility for managing their resources. Able-bodied recipients should be required to work for their benefits and younger recipients should remain in school.

As many have stated before, a good job is the best welfare program ever invented. Work should always be more rewarding than remaining on welfare, and opportunities for self-reliance should be created through education and enterprise. All aspects of the current system which tolerate permanent dependency of those able to support themselves through work should be eliminated.

Our goal should be to reduce the cost of welfare by reducing the need for it. The shift from dependence to independence should be brought about in a way that encourages the formation and maintenance of economically self-reliant families.

Implementation issues

The characteristics of an ideal welfare system described above merely provide a broad policy framework within which a more effective public assistance system could be built. There is no single best way; to the contrary, one effective public assistance system could be different from another in hundreds of ways, depending on local circumstances.

We certainly support the development of a single focal point within the federal government to help expedite consideration of state reform proposals...It is my belief that the experience of California and the many other states who are trying new approaches to make our welfare system work better will go a long way toward helping those less fortunate than ourselves achieve lasting independence and self-sufficiency...I appreciate your efforts to help states in this important goal.

Governor George Deukmejian
California

There is no magic in dealing successfully with the problems of the poor. Over the years, many self-help groups, churches, volunteer groups and some government programs around the country have proven themselves effective. From their experience one thing is clear: The war against poverty can be won only when poor people themselves are directly involved.

It is our belief that providing a person with the capacity to help himself or herself is the ultimate form of assistance. For those capable of contributing to their own support, anything less is a waste of money and, more importantly, a waste of human spirit and potential.

A proper federal role

The decentralized and highly localized approach advocated by the Board is an affirmation of this Administration's commitment to dealing with the problems of poverty in America in the most practical and effective way possible.

The recommendations in Up From Dependency state clearly that the federal government should maintain its current funding arrangements with the states; the President's strategy assumes the states will ultimately do a better job of allocating and managing these resources.

The federal government has an important role to play in the nation's antipoverty efforts. As the Working Group recommended to the President, the federal government **should:**

1. Recognize that the welfare system is a system, and then treat it as such.

2. Not propose nor support any new "national" welfare reform program unless it is locally-tested, with evidence of reduced dependency.

3. Adopt reform goals which comprehensively define federal requirements for reform, allow maximum flexibility for state and community-based reform efforts, and retain the current federal-state financing commitments.

4. Promote the development of widespread long-term experimentation in the restructuring of public assistance through demonstration projects.

5. Pass legislation to further strengthen and expand the experimental program and assure that its useful results are gradually incorporated into the national public assistance system.

CREATION OF THE WHITE HOUSE INTERAGENCY LOW INCOME OPPORTUNITY ADVISORY BOARD

The President created the Interagency Low Income Opportunity Advisory Board to serve as the focus of the Administration's efforts to implement the strategy outlined in Up From Dependency. All federal departments and agencies which administer low income assistance programs are represented on the Board. They include the Departments of Agriculture, Housing and Urban Development, Health and Human Services, Labor, Interior, Justice, Energy, the Office of Management and Budget, and ACTION.

A central forum

The Board serves as the forum for the Executive Branch to coordinate analysis of welfare programs and policies and to expedite review of state demonstration proposals that require waivers from more than one federal program. Agency cooperation in this process has been outstanding. Much positive feedback has been received from agency representatives regarding this pulling together. Participants have found that coordination and cooperation between federal agencies really is possible and desirable. Recommendations that result from this more unified effort are channeled to the President through the Domestic Policy Council.

The coordinated review provided by the Board will facilitate approval of waiver requests for demonstration projects. This type of positive action encourages states to move ahead with individual initiatives.

Governor Arch Moore, Jr.
West Virginia

State demonstration projects

The major thrust of the Board is to promote and coordinate the federal review of state demonstration projects. In the past, any state that wished to adapt the welfare system to its individual needs has often faced major hurdles. Before the creation of the Board, it could take years for a state to design a new program and gain the necessary federal approvals. It was much easier to simply go along with the status quo.

States can now cut the Gordian knot. Through the Board, states can, for the first time, apply for waivers from several programs and have the proposals evaluated as a package, not merely as unrelated proposals (each of which formerly required its own separate and time-consuming process).

Three key guidelines

Early on, the Board established three key guidelines to be applied throughout the executive branch as federal agencies reviewed and evaluated state demonstration proposals. To receive a Board recommendation to approve a request for waivers, a proposal should: 1) meet basic needs while reducing dependency; 2) remain cost-neutral to the federal government; and 3) provide for a sound evaluation, to see if the program is actually working.

In its deliberations, the Board tries, to the extent possible, to avoid making judgments regarding the merits of a state's proposal. Provided a proposal meets the three standard criteria outlined above, the Board will recommend approval to the agencies.

Savings from a change in one program can be used to offset increased spending in another, as long as there is no net increase in federal cost. The potential for state creativity is unlimited. Under the Board's guidelines, once a demonstration proposal is received and accepted for review, the federal agencies affected have agreed to act upon the request within 90 days whenever possible.

State welfare officials and governors now have one location within the federal government where they can pursue their welfare reform efforts. That is, state officials can seek in one place coordinated federal action on the multi-program waivers they need. The Board will follow up with the individual federal agencies to get final approval.

BOARD ACTIVITIES AND ACCOMPLISHMENTS

After getting through the start-up phase of dealing with administrative and organizational issues and establishing its basic policy direction, six regional workshops were conducted to explain the Board's role, policies, and procedures to state welfare officials. Representatives from all states were invited to the workshops. Almost all states sent representatives.

When the Board was created it found only scattered state-sponsored welfare reform projects operating within the country. Among the more publicized were California's Greater Avenues to Independence (GAIN), Illinois' Project CHANCE, and Massachusetts' Education & Training (ET). Other states were talking seriously about welfare reform, but most discussions and efforts had been fairly limited in scope.

The creation of the Board has changed all that.

Thirteen demonstration projects approved; twelve more "in process"

Since the creation of the Board, 25 demonstration proposals have been submitted by the States. Written proposals are usually followed by face-to-face meetings with the Board or its representatives. So far, thirteen state demonstration proposals reviewed by the Board have been recommended for approval. More will follow. The demonstrations for which the Board has recommended approval, as well as those pending before the Board, are discussed below.

This surge in welfare reform activity will be bolstered by the recently enacted Family Support Act of 1988, signed by the President on October 13, 1988. Stimulated by President Reagan's leadership, the Congress wrote into law that our Nation's welfare system should encourage self-sufficiency. The act places a new emphasis on the importance of work for individuals in decreasing dependency, and assigns to the States a greater role in the public assistance system. We believe that when implemented, the Act will compliment programs most of the States have already developed.

The content and/or timing of the demonstration projects presented below may be affected by the new law. The Board is now working with each state to assess the impact as well as any needed adjustment.

The thirteen demonstrations so far endorsed by the Board are:

1) **WISCONSIN** - Wisconsin's comprehensive welfare reform program combines mandatory employment-related activities, including mandatory school attendance for school-aged recipients, with additional support services.

Support services include an extension of Medicaid eligibility for an additional eight months for those earning their way off AFDC; and a modification of the current earnings disregard (the amount of earned income that is not counted when determining a person's income for AFDC eligibility). The modification provides lower disregards for a longer period. The program will operate statewide for three years.

The state's mandatory Learnfare school activities, coupled with a 6 percent reduction in AFDC benefits, already are being implemented. More elements of Wisconsin's plan are scheduled for implementation in 1988.

Cost neutrality to the federal government is guaranteed by an arrangement whereby the state will be reimbursed for costs that would not have occurred except for the demonstration. When costs go up--as will occur with the extension of Medicaid benefits--there should be enough savings associated with the demonstration to offset the additional costs.

Costs associated with the Medicaid extension are being measured by statewide control groups. The same groups will be employed in the evaluation of the net effects of the Medicaid extension and earnings disregard changes.

2) **NEW JERSEY** - New Jersey's "Realizing Economic Achievement," or REACH program, requires all non-exempt adult recipients to participate in employment-related activities. Additional day care services, Medicaid eligibility, and targeting of JTPA and child support enforcement resources complement the employment strategy. REACH will be phased-in on a county-wide basis until statewide operation is achieved.

To guarantee cost-neutrality, costs which would not have occurred without the demonstration will be reimbursed only after savings have been demonstrated. This will be accomplished by comparing REACH caseloads with an estimate of what caseloads would have been in the absence of the demonstration. Evaluation of the effects upon employment and welfare dependency will employ comparison of both matched counties and before and after groups of those who participated.

3) **WASHINGTON** - The State of Washington's "Family Independence Program," or FIP, is a five-year demonstration with special authorization in P.L. 100-203. Food Stamps are being cashed-out for all AFDC families in FIP, and the higher combined FIP cash benefit becomes the basis for Medicaid eligibility.

Higher permanent break even levels for those in training or working will replace the current AFDC earnings disregards. Voluntary education and training programs will replace the current WIN requirements.

The demonstration began in July 1988. The authorizing statute requires that the Departments of Health and Human Services and Agriculture receive assurances of budget-neutrality. A state evaluation plan must be approved by HHS. The impact of the demonstration will be evaluated using a matched comparison office design over a three year period. Client interviews will be conducted to assess the impact of the Food Stamp cash out. The evaluation will also include a process study and a cost analysis.

4) **NEW YORK** - The "Child Assistance Program" demonstration, also authorized in P.L. 100-203, will operate for four years in up to eight local service districts. A minimum level of assistance will be guaranteed to families with absent parents. Custodial parents will be encouraged to obtain support orders by making such orders a condition for CAP eligibility.

Voluntary participation in CAP will benefit families through more generous earnings disregards, with break evens as high as 150 percent of the poverty level. In addition, the program will cash out Food Stamps for CAP recipients.

5) **OHIO** - The state of Ohio's "Transitions to Independence" demonstration will include a wide range of mandatory and voluntary activities and services for AFDC families seeking and obtaining employment. Current mandatory employment activities will be expanded from 29 to all 88 counties.

The savings from increased employment are to be used to provide transitional Medicaid, child care services, and a more generous earnings disregards for mothers with young children who participate voluntarily.

School-aged caretakers will be required to participate in educational activities. Additional child care resources will be made available for other recipients as well. Targeted child support enforcement and coordination with JTPA and public schools will bolster the approach. The state plans a five-year demonstration, with phased

implementation.

The evaluation will include a process analysis, impact analysis, and cost-benefit analysis. The impact analysis will employ both experimental design techniques using random assignment and quasi-experimental techniques involving matched comparison counties.

6) **NEW HAMPSHIRE** - New Hampshire proposes to simplify program reporting and accounting requirements to free staff time for assessment, counseling and other case management functions.

Additional support and transition services, extension of WIN mandatory status to mothers with children as young as three years old and coordination with basic education programs are planned to promote self-sufficiency. Enhanced child support activities may include standard support guidelines, increased interstate support enforcement and extension of cooperation requirements to AFDC medical assistance only cases.

The state has requested statewide waivers in anticipation of a three-year demonstration. Waivers have been requested from AFDC, Medicaid and the Food Stamp Program.

In light of the complexity of federal regulations governing public assistance programs, the review and evaluation of state demonstration plans by the Board and coordination of waiver requests from the states are invaluable and will contribute significantly to our efforts.

Governor Garrey Carruthers
New Mexico

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7) **WEST VIRGINIA** - West Virginia's "Self-Sufficiency Through Self-Employment" project will use extensive screening and counseling to aid up to twenty voluntary recipients in starting their own small businesses. JTPA funds will be used to purchase business and technical training and guidance.

Waivers of AFDC and Food Stamp statutes to allow different treatment of income and assets will make it possible for recipients to continue to receive aid during the project. Capital is to be secured by the participant from private lending institutions or the Small Business Administration, based upon an acceptable business plan.

8) **NORTH CAROLINA** - North Carolina's Child Day Care Recycling Fund Experiment is being sponsored by the nonprofit Child Care Resources Inc. of Mecklenburg County and the State Department of Human Resources. Guaranteed child care will be offered to current AFDC recipients who take full time employment. The state will evaluate whether guaranteed child care provides an incentive to work.

Savings resulting from increased employment--and therefore less welfare dependency--will be credited to the state to pay for child care. Design for an independent evaluation was developed through a grant from the Office of Human Development Services in HHS. The demonstration will run for one year.

9) **ILLINOIS** - Illinois' reform package seeks to reduce long-term dependency by:

a) providing additional support services for persons who leave public assistance due to employment and who are participating in education or training;

b) increasing volunteer participation in "Project Chance" with special recruitment of mothers with children between ages three and six;

c) fostering self-sufficiency by providing access to employer provided health insurance, subsidized housing, and wage assistance;

d) emphasizing parental responsibility for child support; and

e) promoting the use of cost-effective community-based organizations to increase self-sufficiency and reduce recidivism.

10) **GEORGIA** - Georgia's Child Support Enhancement and Simplification Project will demonstrate the effects upon child support payments when payments are counted as income by the recipient family rather than diverted to reimburse AFDC expenditures.

The state believes that family obligations will be honored more completely if the support payments are seen as going directly to the custodial parent and children.

No additional costs to the state or federal government are anticipated. Waivers of provisions of the child support parts of the Social Security Act, as well as a waiver of AFDC provisions, have been granted.

11) **CALIFORNIA** - San Diego County's project has three major goals: 1) restore self-esteem and responsibility to recipients; 2) reduce administrative costs, and; 3) reduce mismanagement, fraud and theft within the public assistance system. San Diego County will eliminate the use of Food Stamp coupons and provide food assistance benefits in the form of cash to all eligible households.

Food assistance payments will be issued using a monthly warrant system. In no instance will a household receive food assistance benefits at a lower level than it would otherwise receive under the standards of the existing Food Stamp Program. As this demonstration was not judged to be cost-neutral to the Federal government, the Board endorsed the concept as one worth trying and forwarded the project to the relevant Federal agencies for further consideration.

12) **ALABAMA** - Alabama proposes to simplify and rationalize the welfare system and to develop realistic methods to move welfare recipients into the economic mainstream through employment and training services. The state will test a merger of the AFDC, Food Stamp and Low Income Home Energy Assistance (LIHEAP) programs in a small number of counties. A single set of regulations, rules, and policies will govern the merged programs. Benefit determination are simplified through use of standardized deductions and use of common definitions. AFDC and Medicaid benefits are extended to low-income children who live with both of their parents or with caretakers who are not related to them. Recipients under the age of 21 are required to complete high school, and parents with children three or older be required to participate in employment-related activities. Monthly benefits for all programs are provided in cash in the test counties. A case management system to coordinate services and move the recipient toward employment.

13) **WYOMING** - Wyoming's "Opportunities for Work" demonstration will test the impact of a time-limited AFDC-Unemployed Parent program combined with intensive short-term assistance. Benefits will be limited to six months per recipient family in the demonstration, while the UP program in non-demonstration counties will run as a seasonal program from November through May.

In addition, applicants and recipients in the demonstration who are the principal earners in the family will be required to undergo a three-week period of initial job search, followed by placement in a case management system, where they would engage in further job search, education, training, and/or work experience.

Participation in a GED and/or basic skills education component would be mandatory for non-principal earners whose youngest child is three years of age or older and who do not have a high school diploma or GED.

As this demonstration was not judged to be cost-neutral to the Federal government, the Board endorsed the concept as one worth trying and forwarded the project to the relevant Federal agencies for further consideration.

Twelve more projects under consideration

Twelve more state projects are "in process." The Board is reviewing these projects to ensure that the goals of reducing dependency, achieving Federal cost-neutrality, and providing clear evaluation of the demonstration's impact can be met. If so the Board will work toward gaining the necessary approvals by federal agencies.

1) **SOUTH CAROLINA** - South Carolina seeks to standardize the welfare delivery system with a "one stop" approach and to provide incentives for welfare recipients to become employed.

   It proposes to meet these goals by: requiring non-custodial parents to participate in the Work Support Program; requiring AFDC parents to register for work if the children are three or older; waiving the equity limits on automobiles; requiring job search for all AFDC recipients until a job is found; extending Medicaid coverage for 12 months after beginning employment; and establishing a standard Food Stamp allotment to AFDC and SSI recipients.

   The latter element alone is forecast to reduce Food Stamp certification costs by 30 percent.

2) **NEW MEXICO** - New Mexico is focusing its efforts on increasing employment opportunities for AFDC recipients, while ensuring that family members capable of providing support contribute to the family's income and resources. The state also seeks to intervene in the lives of teenagers to prevent their dependence on public assistance.

   New Mexico plans to provide transitional day care for AFDC recipients who obtain jobs as a result of employment and training programs, extend employment and training assistance to absent parents of AFDC recipients, institute mandatory child support guidelines and provide a state tax credit to employers who hire AFDC recipients.

The state also would provide a minimum of $25 per month as a stipend for transportation and day care expenses for AFDC recipients participating in Project FORWARD (the state's employment and training program).

New Mexico also would increase the AFDC resource disregard to $5,000 for savings accounts for college tuition, and test the effectiveness of specific high school and training curricula for teen parents enrolled in a high school whose program is tailored to their needs.

3) **ARIZONA** - Arizona's demonstration is designed to test the degree to which certain income disregards and 12 months of extended Medicaid will provide families an incentive to continue working and to remain off welfare. The proposed demonstration would be carried out within the context of Arizona's current East Valley Partnership Demonstration which combines an education and training program with increased access to support services and case management provided primarily by a community organization.

The state proposes to provide AFDC recipients with skills training necessary to assure adequate wage income through a greater emphasis on basic education, support services and an increased earned income deduction for dependent care. The state would also assure adequate income after employment by increasing the collection and distribution of child support, and by providing generous earned income disregards for 12 months following employment.

Finally, the state seeks to assure health care needs are met after employment by extending Medicaid eligibility for 12 months.

The demonstration depends heavily on the involvement of community groups and volunteers from all segments of the community to provide case management, assessment, referrals, employability skills workshops, job placement, client advocates, health screening and emergency health care.

I compliment you and the President on your efforts to provide a focal point within the Federal government to facilitate coordinated consideration of State welfare reform proposals.

Governor Gerald Baliles
Virginia

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4) **COLORADO** - Colorado proposes to help and encourage AFDC recipients to become self-sufficient by establishing a case management process which includes a single generic application for all services, screening to determine whether job search or further employability assessment are needed, and development and implementation of a case plan and individual self-sufficiency plan for each recipient.

In order to accelerate and facilitate the transition to self-sufficiency, the state proposes to: provide a one-time work allowance of up to $300 for needed items such as tools and uniforms; pay child care for the first month of employment; replace the Food Stamp coupon system with a cash benefit; and extend Medicaid for up to 12 months for recipients who lose eligibility because of increased income from employment or child support.

The state also proposes to replace the current disregard of $30 of earned income and one-third of the remainder with a standard disregard of employment expenses, a disregard for the premium for employer-offered health insurance, and an increase in the dependent care disregard.

The Board and its procedures should greatly assist states in acquiring the flexibility they need to develop demonstration programs suited to their own unique needs and circumstances...demonstration projects and waiver requests are crucial instruments in the states' effort to mold programs to their own concrete circumstances.

The Advisory Board's constitution and procedures are a step in the right direction...in Nebraska, we need the latitude to experiment. We need to be able to adapt our programs to the different groups of poor as we find them here. Your efforts are to be applauded.

Governor Kay Orr
Nebraska

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5) **MAINE** - Maine's "ASPIRE" (Additional Support for Persons in Retraining and Education) demonstration proposes a combination of support services, education, and training to individuals who apply for AFDC. When an individual applies for AFDC, a Department of Human Services (DHS) eligibility worker would assess the recipient's situation to determine the extent of additional services necessary for the recipient to achieve increased independence.

Based on the initial assessment, the recipient and the state would enter into a contract which outlines the responsibilities for each party. The recipient would agree to participate in the ASPIRE program through the state's WIN demonstration program or the Job Training System.

Subsidies would be provided for child care and transportation for up to twelve months after the loss of AFDC due to earnings. A state-funded medical coverage/insurance program would be available for up to twelve months with benefits provided on the basis of a sliding scale to families with income up to 150 percent of the federal poverty guidelines. ASPIRE would increase the standard of need by 10 percent with a five percent increase in the AFDC payment level.

The state projects considerable savings from ASPIRE through child support enforcement, an aggressive recoupment process for overpayment, and a significant caseload reduction.

6) **TENNESSEE** - Tennessee's "Higher Opportunities for Education and Employment" (HOPE) seeks to promote family independence and self-sufficiency among AFDC recipients.

In order to effectuate HOPE, Tennessee is requesting several waivers pertaining to its AFDC and Food Stamp programs. The waivers are aimed at accountability, reducing administrative time, and improved client services through development of simplified eligibility/reporting requirements. Tennessee would also require that all AFDC children attend school and lower the age standard to one year for the youngest child of an AFDC caretaker who is required to register for work.

The waiver package also includes the development of a special local demonstration project in Shelby County. This project is unique in that it takes a "holistic" approach to the problems associated with poverty. Local government officials, working to solidify cooperation with numerous state/local agencies, organizations, and the private sector, are at the point of testing a pilot project limited to four census tract areas in Memphis.

We support the direction you are taking with regard to welfare reform, and we will do our part to meet the challenges here in North Carolina.

David Flaherty, Secretary
North Carolina Department of Human Resources

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7) **IOWA** - Iowa's "PROMISE" (Promoting Independence and Self-Sufficiency through Employment) seeks to assist AFDC recipients to become self-sufficient by offering a wide range of education, on-the-job-training, job search, and job skills services. To encourage employers to hire welfare recipients, the state has established a public/private partnership that will provide cash bonuses of $500 to long-term welfare recipients, and the employers who hire them, to encourage full-time employment.

Iowa plans to provide subsidized child care assistance to families who leave AFDC due to an increase in earned income or a loss of the AFDC earned income disregard, and to extend Medicaid coverage for up to 12 months to individuals who leave the AFDC program due to increased earned income or hours of employment.

In addition, the state plans a number of "Family Development and Self-Sufficiency" demonstrations that will address the non-financial causes of dependency by focusing on community involvement and attitudes.

8) **UTAH** - Utah proposes several reforms of its welfare system to establish the expectation by recipients and providers that welfare assistance will be short-term and that the State will do all it can to help recipients leave the welfare system. Utah's proposed demonstration, which is limited mainly to Davis County, consists of the following major elements:

a) All applicants and recipients of AFDC in Davis County, when the youngest child is at least 3 years old, would be required to sign an agreement to participate in a plan to move the individual toward self-sufficiency. The plan may include training, high school education, intensive job search, group support sessions, and resolving family problems. Failure to participate in the self-sufficiency plan would result in the loss of AFDC benefits for the entire family.

b) Medicaid benefits would be extended for 9 months to all recipients in Davis County who leave AFDC due to earned income. An enrollment fee would be assessed based on income, and participants would be required to enroll in employer health insurance programs.

c) The quarters of coverage and unemployment compensation provisions would be waived State-wide for Utah's Emergency Work Program, making it possible to serve more teenage and under-employed families.

d) Food stamp recipients in Davis County would be offered the option of receiving either cash or food stamp coupons.

e) Educational benefits would be exempted when calculating food stamp benefits for eligible self-sufficiency households in Davis County.

Quasi-experimental designs would be used for evaluation, consisting mainly of comparing Davis County with one or more control counties.

9) **MARYLAND** - Maryland's "Cash Incentive Payments in a Self-Sufficiency Program" proposes to test whether cash incentives increase enrollment and continued participation in a comprehensive program designed to move recipients from dependence to self-sufficiency. Weekly cash payments would be made to recipients participating in the self-sufficiency program, contingent on regular attendance in the program and satisfactory progress toward a high school diploma or equivalent. The project would be carried out in Montgomery County.

Under the project, the incentive payments would not affect food stamp allocations or AFDC grant awards. To evaluate the effect of the payments, applicants for the self-sufficiency project would be randomly assigned to a group which receives incentive payments, or a group which receives no incentive payments. Program participants would continue to be followed for one year after employment. Program enrollment, activity completion, educational attainment, employment, job retention, wage levels and duration, and amount of public assistance would be measured.

10) **PENNSYLVANIA** - The Pennsylvania plan features a demonstration of how to escape low-income through entrepreneurship. The demonstration will involve an initial group of 70 people over three cities. The initiative will accord them special training, assistance in developing and evaluating business plans, access to limited capital, and subject the overall program to on-going, careful evaluation. The Pennsylvania plan has been determined to be cost-neutral to the Federal government, in terms of impact upon aggregate benefit costs to those involved. Further, if successful, it will lower aggregate program costs.

11) **TEXAS** - The principal goal of Texas' demonstration is to implement and test key features of the Family Support Act of 1988. It hopes to reduce welfare costs by providing day care and Medicaid for one year after a recipient leaves AFDC with earnings. The results from this demonstration should provide information for better implementation in other

states, when mandatory as of April 1, 1990.

Another key feature is a refocused employment services program, where clients are screened and an action plan is developed that best addresses their employment needs. Finally, a maundering program will be developed to link volunteer role models with participants to support their employment goals. These role models will provide guidance to welfare recipients struggling with the new demands of a job who have family crises, or other problems that keep them from realizing their full potential.

12) **KANSAS** -Kansas' Kanwork initiative is a comprehensive plan to reduce welfare and dependency by increasing the work effort of welfare recipients. The first step in their welfare reform package is to assess the level of services needed and to reach an agreement on a contract between the State and the welfare recipient. Once a recipient's employment needs are identified, a job preparation component would make a variety of services available to the recipient, including job search, job referral and placement services, community work experience, grant diversion, remedial as well as college education, vocational training and English language instruction. To enlarge the number of welfare recipients participating in this program, the State seeks to lower the exemption for parents caring for a child under age six and to require the participation of parents whose youngest child is over the age of three.

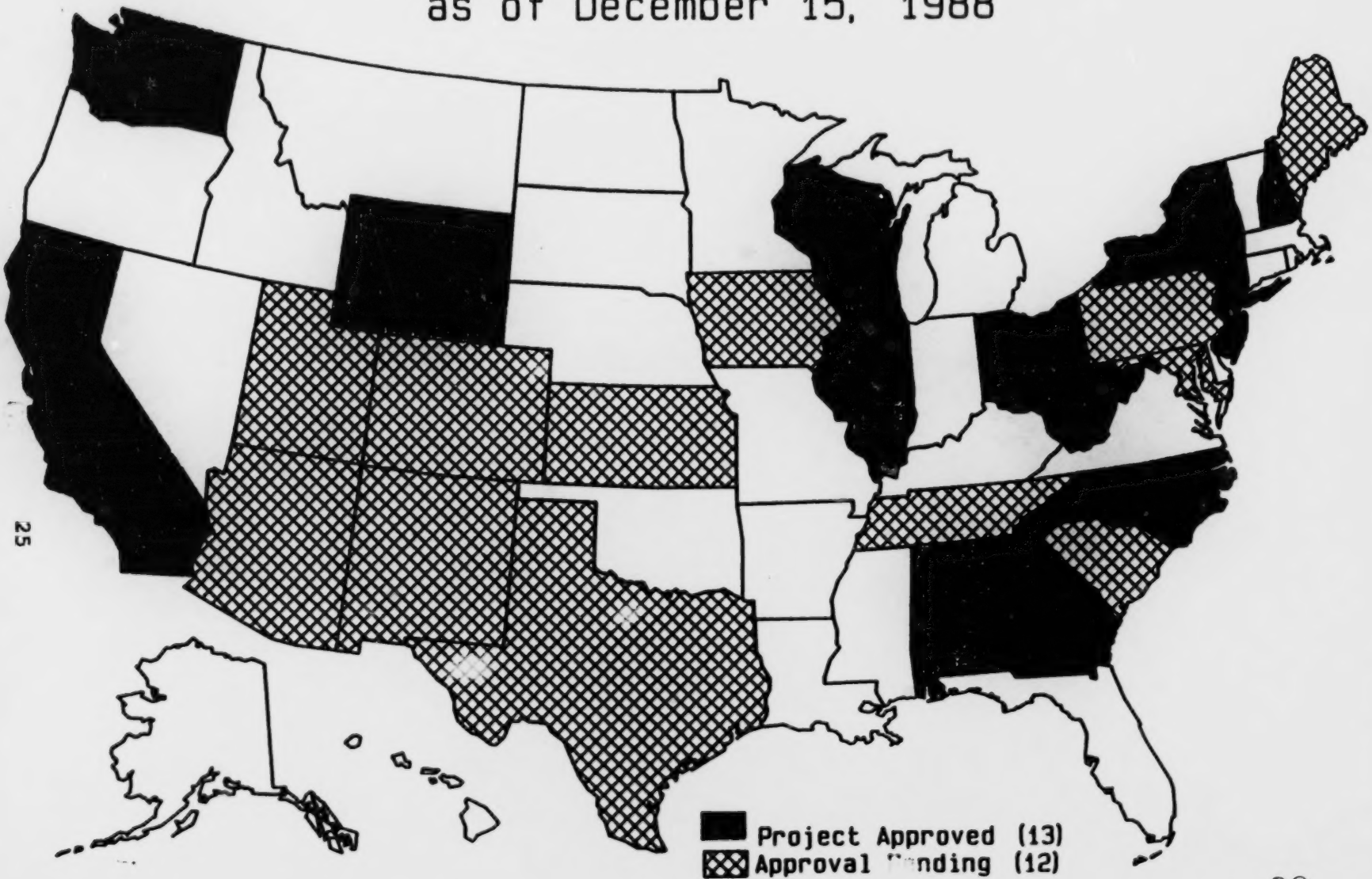
To encourage work, the State would provide added support services, including child care, where it proposes to increase the earnings disregard from $160 to $200, and to create a family maundering program in which volunteers work directly with participants on home management, budgeting, family planning and other needs which affect self-sufficiency. Finally, a number of transitional services will be provided to participants who become and remain employed. Child care and transportation would be available for up to six months following the loss of cash assistance and extended medical assistance would be provided for up to 12 months. Premiums may be charged for the child care and medical services. The State also would like to make a special needs payment available on a one-time basis when a participant becomes employed to help pay for essential items necessary to the participant's accepting a job. The State further proposes to make these transitional services available to two-parent General Assistance families, generally those who do not have the work history to qualify for AFDC-UP. The purpose for covering these families is to preserve the family unit and prevent the possibility of long-term welfare dependency by increasing the incentives for work.

The President's goal: at least half the states "in process" by the end of his term

With thirteen State projects recommended for approval by the Board, and another twelve in process, we have reached the President's goal of having half of the states involved in demonstration projects. Those states, and their status, are shown on the map below. Many more states as well as two Indian tribes are working on proposals. The goal, however, is merely a milestone to mark progress. The full potential of these demonstrations is yet to be realized. The welfare system will be reformed only when many demonstrations have been conducted and every state has been included.

States marked in black have had their demonstration proposals approved through the Board process. States denoted by cross-hatches have proposals before the Board that are pending action (as of December 15, 1988).

State Demonstration Activity
as of December 15, 1988



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Many Federal programs affected

Before the creation of the Board, state efforts to obtain waivers from many programs were sporadic and generally quite limited.

With the demonstration strategy, however, the focus has shifted. Most demonstrations that have come before the Board have sought waivers that will allow experimentation within the AFDC, Food Stamp, Medicaid and Child Support Enforcement programs; others have expanded their horizons and asked for waivers (or other changes that might not require formal waivers) from other Federal programs as well. Indeed, at least 11 of the 59 major low income assistance programs will be involved in the current demonstration proposals.

Through the Board, states are in a better position to deal with the totality of the welfare system. As a result, the quality and effectiveness of public assistance programs should improve.

To review and evaluate state proposals that contain so many programs requires an unprecedented level of agency coordination and communication at the federal level. Agency personnel have enthusiastically supported the Board process. With their continued support, reform of the welfare system can be achieved.

Other accomplishments

The Board also completed work on two additional supplements to the Up from Dependency series of publications. This series of five volumes (summarized in Appendix B) represents the most comprehensive look at the federal public assistance system ever undertaken, and will aid future administrations as they tackle the difficult issues of making welfare more effective.

THE WHITE HOUSE WORKSHOP ON SELF-HELP EFFORTS AND WELFARE REFORM

Self-help refers to a group of people who have come together on their own to tackle a shared social problem, usually in a local setting. The hallmark of self-help groups is that they do not rely on governmental assistance, but depend mainly on private funding or revenue producing activities to sustain themselves.

From resident management of public housing to the formation of groups among former welfare recipients dedicated to passing along their insights on how to make it "out," the field is growing each year. Self-help draws upon wellsprings of commitment and usually involves minimal cost.

Because these organizations start at the grass roots level and include the efforts of those who will actually benefit from the services provided, they often enjoy tremendous credibility in the community. Many have been remarkably successful in dealing with social problems of every conceivable nature.

The Family Helpline would like to take this time to thank you and your Advisory Board for the invaluable help you have extended to us. You have given us technical assistance as well as helped us attract monetary support.

As you know, we are 'grassroots'; there are many intricacies of corporate structure and government that we are unable to understand. Without your guidance, we would be lost. The community is our heart. And, you have helped us to keep it beating, pumping life-saving blood into the community.

Leon Watkins
Director/Founder
Family Hotline
Los Angeles, CA

Self-help efforts complement government programs that attempt to deal with poverty and other social problems. The movement gives people the capacity to share experiences, motivate each other, and nurture the development of self-concepts, drives, and capacities, and carries the potential to drive down dependency on a large scale.

Recognizing this, on June 9 and 10, 1988, the Board sponsored a workshop on self-help efforts and their relationship to federal, state and local welfare reform initiatives. Seventy-five self-help leaders and other interested parties (federal agency officials and local and state government representatives) attended the two-day workshop.

Donna Alvarado, Director of ACTION, the federal domestic volunteer agency, welcomed the workshop participants. Chuck Hobbs, Assistant to the President and the Board's Chairman, introduced speakers and panelists drawn from state government and self-help groups. Hobbs said that it would be difficult to overstate the self-help movement's importance to serious welfare reform efforts. There are some real heroes at the grass roots level, he noted. Those who administer welfare programs can learn a lot from them, he said.

Keynote speakers from the self-help movement included Lupe Anguiano, President of the National Women's Employment and Education, Inc.; Carol Sasaki, Founder and President of HOME, Inc. ("Helping Ourselves Means Education"); Kimi Gray, founder of "College Here We Come" and President of Kenilworth-Parkside Resident Management Corporation; and Donald Krebs, founder of Access to Recreation, a company that markets adaptable recreation equipment for the physically challenged.

Federal, state and local officials also addressed the workshop. Governor Thomas H. Kean of New Jersey discussed his state's "REACH" program and noted the importance of community efforts in the process of welfare reform.

We were indeed encouraged to find the work of the Low Income Opportunity Interagency Board, which is so supportive of our kind of community-based self help efforts...So often it seems that the barriers to success are rules and regulations and lack of will... hopefully the action of your group will help to make possible the waiver of these barriers, will help to encourage those of us on the front lines to keep trying to do what we know works.

We strongly urge that your work as a Board continue, in seeking out solutions and opportunities for demonstrations of self-help and in waiving the barriers to success.

Mary Nelson
Executive Director
Bethel New Life, Inc.
Chicago

William N. Morris, Jr., Mayor of Shelby County in Memphis, Tennessee described the "Free the Children" initiative, a locally devised program aimed at breaking the cycle of poverty by requiring parents to take responsibility for their families through intensified child support programs and the creation of job opportunities.

Morgan Doughton, Senior Policy Analyst with the White House, reviewed the history of the self-help movement and its relationship to federal welfare reform efforts. He warned against making growth and operation of such grass roots efforts dependent upon government.

During the workshop, the self-help leaders met with President Reagan and described the progress of their local initiatives. The President warmly applauded their efforts and reiterated his commitment to community-based self-help endeavors.

Self-help: a sensitive subject

During the workshop, several self-help leaders said the federal government must recognize that assisting the self-help movement is a delicate subject. Too much government help could kill the movement, they said; and yet without help, they noted, the movement could remain scattered and small-scale. The Board is currently seeking the right balance and a proper role for the federal government. The best answer to this challenge will evolve from experience.

If I were to describe the Advisory Board in just two words, they would be "common sense." The massive public assistance system must have coordination to operate effectively.

Don Krebs
President and Founder
Access to Recreation
Thousand Oaks, CA

Self-help working group

While recognizing that self-help must remain independent, the conferees advanced a series of recommendations for federal government consideration that, it was believed, described how best to foster and encourage the self-help movement as it relates to the progress of low-income people.

Immediately upon the workshop's conclusion, the recommendations were advanced to the Board. The Board commissioned a special panel, drawn from the agencies principally concerned, to study the recommendations and recommend in turn in what ways, and to what degree, each could be implemented. This panel's report, which has been reviewed by the Board and the Domestic Policy Council is included at Appendix C.

Thank you, thank you, thank you for the support given NWEE.

Lupe Anguiano
National Women's Employment and Education, Inc.

As these recommendations indicate, self-help thrives best when driven by committed people in the private sector, not by government. Government can and must help in scores of significant ways. It can reduce barriers to self-help. It can promote demonstrations to effectively harness self-help in the "up-from-dependency" process. It can encourage the continued expansion of the movement by facilitating the exchange of information to communicate what works. It can encourage state initiatives that include self-help efforts. Government can also do more to recognize leaders in the field.

STATUS OF THE WELFARE SYSTEM IN 1988

Though still in its infancy, the Board represents an important new approach to overcoming the obstacles that have traditionally blocked meaningful welfare reform.

The federal government is finally approaching welfare in a systematic way. The nation's welfare system is fragmented, compartmentalized, and confusing; today we are beginning to view the entire system as a system. This new approach makes flexible, innovative approaches possible.

Governor Hunt and I are agreed that the best avenue for welfare reform at this time is through the Low Income Opportunity Board.

Andrew Hornsby, Jr., Commissioner
Alabama Department of Human Resources

Almost a third of the public assistance population affected

The state demonstration projects that the Board has recommended for approval, once approved and fully implemented, will affect welfare programs in which almost a third of the current public assistance population participate. This population will grow as more state projects are approved.

If the current demonstrations are successful, the welfare system will begin to change. Gradual change might not be as exciting as sweeping, national reform, but it will eventually prove far more effective.

Are we finally heading in the right direction?

The Board does not overestimate the difficulty in achieving progress. It took the welfare system over 50 years to get into its current condition; it will not be turned around overnight.

The Administration's measured approach, through the Board, is winning widespread support. Many favorable comments have been received regarding the Board's initial activities. But these comments should come as no surprise: The approach reflects the fundamental shift that has taken place in public attitudes towards welfare policy.

By a wide margin, the American people support the Up From Dependency philosophy. People want a fair and compassionate welfare system that promotes self-sufficiency over continued dependence on ever-growing public assistance programs. The Interagency Low Income Opportunity Advisory Board is working to achieve this goal.

The systems approach adopted by the Board is a radical departure from past practice. Clearly, the full potential for creativity and innovation at the state and community levels has yet to be fully realized.

The Advisory Board has proved itself, in a very short time, to be an exciting model for opening up the government bureaucracy to the creativity of the average citizen. It should be made permanent. And this model should be used in other areas of government to cut the red tape that stifles so much creativity.

Aaron A. Bocage
Senior Partner
Education, Training, and
Enterprise Center
Camden, NJ

Like the federal system, the complexities of law and regulations in state welfare systems produce far more pressure toward conformity than toward change. So while many state proposals are currently under discussion, some are not all that bold. The Board looks forward to receiving more--and more innovative--state proposals in the coming months. States have by no means exhausted their creative potential in the area of welfare reform.

The Board believes progress has been made. But, for the President's strategy to reach its full potential, much more remains to be done. It is our hope that the next administration will give serious consideration to the following recommendations.

RECOMMENDATIONS

The Board has had a positive impact. The coordinating mechanism which allows a state to deal with welfare as a system has already shown results. We are highly confident more states will follow. The task as we see it, then, is to continue our approach and improve it.

Presented below are six recommendations in this spirit. They have been reviewed and approved by the Domestic Policy Council. The first recommends that the next Administration continue the Board's functions.

The remaining five focus on a crucial aspect of welfare that has been neglected far too often: self-help. The self-help recommendations were originally proposed by self-help leaders. The Board's Self-Help Working Group studied these recommendations. Their responses are included.

In making all of these recommendations, we note that in the past the Board has worked closely with the White House Counsel's office to ensure that its role is coordinating and advisory, rather than executory. This division of responsibility is important to ensure, inter alia, that the Board and its chairman enjoy the same testimonial privileges and exemptions from disclosure requirements that are possessed by the other advisors to the President in the White House. Should the Board's recommendations be accepted, it will be necessary to continue to execute these responsibilities in a manner that will not jeopardize these important privileges and exemptions.

Recommendation One

The President should recommend that his successor continue the functions of the White House Interagency Low Income Opportunity Advisory Board in whatever form he deems appropriate.

The central coordination that the Board has provided the welfare reform movement has enabled a host of important improvements to be implemented at the state level. We expect to have several state demonstration proposals still "in the pipeline" at the beginning of the new administration. More states will follow, and those with active demonstrations will want to continue to deal with a coordinating, central point of federal contact over the life of their projects.

The Board represents the only administrative body currently available through which a state may receive a coordinated review of a multi-faceted welfare demonstration by integrating different programs. The Board has made meaningful welfare innovation possible by assuring states expeditious processing of their proposals, and by working closely with state officials to

encourage development of plans that will lessen individual dependency.

In the past, few states have experimented with welfare reform even though waiver authority to permit demonstrations has been present for years. Today, states are finding strong support for change through the Board. Many are embracing this approach with enthusiasm.

We believe this approach should be institutionalized and continued in the next administration. Whatever form the new Board takes, three key organizational characteristics should be preserved. First, the Board should remain within the White House so as to coordinate various federal agencies involved in low-income programs. Second, the Board should include a representative from every Executive Branch organization that administers one of these programs. And third, the Board members should be at the policy making level in these agencies and organizations.

The next five recommendations take a somewhat different form than usually presented. The bold type recommendations represent the unedited views of self-help leaders themselves. Each, in turn, was examined by the Board to determine how the Federal government could respond. All were found worthy of support in some form.

Thus the specific actions recommended by the Board are presented under each bold type statement.

Recommendation Two

Self-help organizations should be strengthened to play a greatly expanded role in achieving the goals of welfare reform through a series of demonstration projects.

The Board believes that this goal of self-help leaders should be supported. Demonstrations to develop, use, and assess self-help approaches would add a crucial perspective to our overall strategy. We propose this by undertaking two specific actions:

1. The Board should prepare a plan to identify, during the next 12 months, promising demonstration projects which are already underway or which can be accommodated within existing budgetary guidelines.

2. The Board should encourage state and local governments to work with self-help groups in developing demonstration activities within their jurisdictions.

Recommendation Three

The present legal and administrative barriers to a more effective welfare system ought to be reduced or eliminated.

The Board also believes that this self-help proposal should be supported, although with some modifications. Every opportunity must be found to give state and local governments greater flexibility to tailor the welfare system to their individual needs. Therefore, we propose two specific actions:

1. The Board should invite states, localities, and self-help groups to identify legal and administrative barriers to self-sufficiency at the federal, state and local levels and suggest strategies for overcoming them. The Board also will call upon relevant federal agencies to identify federal impediments to creative self-help efforts.

2. The Administration should join self-help leaders to improve understanding of the self-help process on the part of Congress and other officials.

Recommendation Four

The exchange of useful information and experiences should be expanded and accelerated so that self-help organizations may become more effective instruments of reform.

The Board believes that promoting successful self-help efforts should be a high priority. Support of this recommendation from the self-help leaders would contribute to that end. At the moment, lack of information about what help may be available or what has been tried elsewhere is a major barrier to any community based group which wants to become more self-reliant. Accordingly the Board proposes three specific actions:

1. The Board should facilitate the exchange of information on successful self-help initiatives. The Board should also develop an information dissemination strategy that will include the identification and promotion of self-help projects sponsored with federal funds. The strategy also will explore the desirability and feasibility of a privately-financed central information exchange.

2. The Board also should encourage Governors to take steps to more effectively harness the energies of the self-help movement in the cause of reducing dependency.

3. The Self-Help Catalog should be updated and expanded and information about self-help groups will be put on a computer for easier access to information about them.

Recommendation Five

Outstanding self-help organization performance, individual efforts and corporate support should be recognized at state and national levels, at annual conferences and award ceremonies.

The Board believes that this recommendation of the self-help leaders should be supported. Rewarding and publicizing success is one of the most effective ways to encourage others to try to help themselves. Therefore, the Board recommends two specific actions:

1. The President should establish annual non-monetary awards recognizing self-help achievements.

2. State and local governments should be encouraged to promote self-help efforts through such activities as state conferences, workshops and well-publicized award ceremonies.

Recommendation Six

The Board should coordinate all federally-funded research on the opportunities and experiences of self-help organizations in welfare reform.

The Board believes that the concept of this recommendation from the self-help leaders should be supported, albeit with modifications to the specific implementation. The Board does not have the expertise to coordinate all federally-funded research on self-help. Even if it had, such an attempt would only add another bureaucratic layer and potentially conflict with the wider research agenda of the various departments.

Accordingly, the Board recommends that it serve as a contact point for agencies to provide information on relevant research. The Board will compile a self-help research agenda based upon research and evaluation efforts underway in the federal agencies, with special emphasis on the interaction between self-help activities and the welfare system.

The complete set of recommendations from the Self-Help Workshop, and Administration responses to them, are included in Appendix C.

APPENDIX A

ESTABLISHMENT, ORGANIZATION AND AUTHORITY OF THE INTERAGENCY LOW INCOME OPPORTUNITY ADVISORY BOARD

In his 1987 State of the Union address, President Reagan asked Congress to endorse a major new national strategy to reform America's flawed welfare system. He proposed a program of widespread, long-term experimentation in welfare reform through community-based and state-sponsored demonstration projects. Those demonstration projects were to emphasize methods to reduce individual dependency on welfare. Welfare, he maintained, should be a transition to self-sufficiency, not a way of life.

To begin implementing the strategy while the Congress deliberated, the President established an interagency advisory board on July 20, 1987. That body, the Interagency Low Income Opportunity Advisory Board coordinates federal public assistance programs and policies that cut across department lines and creates a common point for intergovernmental coordination. The President charged the Board to find ways to accelerate efforts to make America's welfare system more effective. As part of the Executive Office of the President, the Board advises the President on the conduct of the reform strategy.

Members of the Board include the departments of Agriculture; Health and Human Services; Housing and Urban Development; Labor; Interior; and Justice; the Office of Management and Budget; ACTION; the Council of Economic Advisers; and a number of White House offices.

A key component of the President's strategy is the decentralization of the administration of public assistance programs. As states propose welfare reform demonstration projects that require waivers from several programs, it is likely that they will assume more direct responsibility in the design and management of welfare programs to meet the needs of their states. And, by developing multi-program demonstration projects, they will come to view welfare as an interrelated system.

In addition to working closely with the states to encourage their participation in the process, the Board:

(1) identifies major problems, present and prospective, in public assistance programs governmentwide;

(2) works with agencies and outside groups in reviewing policy alternatives with respect to public assistance matters;

(3) reviews, comments on, and makes separate recommendations on all public assistance matters which require Presidential attention;

(4) monitors the implementation of approved public assistance policies; and

(5) reports to the President concerning the above.

At the first meeting of the Board on July 29, 1987, the Chairman determined that comprehensive welfare reform demonstration proposals submitted by the states of Wisconsin and New Jersey would be the first applications taken by the Board for review and advice.

At the same time, the Board's staff, in conjunction with personnel from the federal agencies represented, set out to develop the operating policies and procedures the Board would follow in its operations. Publication of these policies and procedures was a necessary precondition of Board action on any proposals.

After adoption by the Board, these operating policies and procedures were sent to the nation's governors on September 3, with a joint cover letter from the Chairman, the Attorney General (as Chairman Pro Tempore of the Domestic Policy Council), the Director of the Office of Management and Budget, and the Secretaries of the Interior, Agriculture, Labor, Health and Human Services, and Housing and Urban Development. Amended procedures were also sent to the Governors on November 30, 1987, under a similar cover.

The procedures established both procedural and policy standards for the Board's review. Demonstration proposals submitted directly by governors and state proposals referred by federal agencies would be reviewed by the Board.

Waiver Policy Before the Board's Creation

Authority for granting waivers for the purpose of demonstrating alternative public assistance program practices has been available for many years. However, prior to creation of the Board, the process was hollow and ineffective, discouraging states from even trying.

Exercise of this waiver authority tended to be fragmented among and within the separate agencies dealing with public assistance: the Department of Health and Human Services, with authority for administering the AFDC and Medicaid programs; the Food and

Nutrition Service within the Department of Agriculture, which administers the Food Stamp Program; and the Departments of Labor (training programs) and Housing and Urban Development (public housing); and so on.

Under this arrangement, proposals for demonstration waivers were reviewed according to each agency's separate rules and criteria. A state planning a multi-program demonstration had to deal with separate application forms and documentation requirements, separate federal office contacts, and separate processing schedules. In the end a state might have some key elements approved while others were disapproved.

Moreover, the criteria against which proposals were reviewed also reflected a fragmentation of federal authority. While some assessment of the impact of proposed demonstrations upon participation and costs of closely related programs occurred, the effects of the proposals on the whole range of low-income assistance programs were not considered. As a result, a complex multi-program proposal with great potential might be crippled because one element was judged too costly--no matter how large the savings might be in another element.

The Board's Review of Demonstration Proposals

The process and the criteria for review of demonstration waiver proposals before the Board recognize that assistance programs constitute a system, and that they should be treated as such.

Treating welfare as a system in practice, rather than in theory, has not been done before on a large scale. Each of the 59 major welfare programs was created to meet a specific perception of need. Each has grown, and been amended, within its own context. Separate standards, procedures, and bureaucracies emerged for each. Reform efforts of the past usually have dealt with the many programs in a piecemeal fashion.

Yet, the problems faced by any poor person do not neatly fit into 59 separate boxes. Only comprehensive use of the welfare "system" can be effective in dealing with the comprehensive needs of an individual. The Board is designed to encourage and facilitate this approach.

The first way in which the Board's procedures reflect the systematic nature of public assistance is by providing a single point of contact and follow-through for states wishing to submit multi-program demonstration proposals. Several states have requested that the Board coordinate the handling of the proposals by the separate federal agencies.

Alternatively, when demonstration proposals with significant system impact are submitted to the separate federal agencies, the

normal procedure before the creation of the Board, the Chairman may still decide to offer the state the option of coordinated review and advice by the Board.

State presentations

The opportunity for a state to make an oral presentation of its proposal to a meeting of the Board also recognizes the systemic nature of welfare. At the presentation, the state can make its best case to all the federal officials actually delegated authority to grant requested waivers and other permissions.

Prior to creation of the Board, state officials ordinarily would not have had an opportunity for interchange of information with all relevant federal officials at one time.

State presentations before the Board have been highly effective. Not only do federal officials come to appreciate the perspective of the state, but federal officials from different agencies increase their understanding of the interaction of the federal programs they administer.

Intragovernmental coordination

Coordinated federal staff work represents the third element in the Board's review process designed in recognition that welfare is a system. The agency from which the most significant (in number or content) waivers are requested serves as the lead agency. The lead agency coordinates contact between the separate federal agencies involved in the review and the state. The Board's procedures require that proposals recommended for approval must meet the formal requirements of each agency exercising the requested waiver authority. The lead agency coordinates the separate reviews of the formal requirements.

In addition, the lead agency coordinates development of evaluation and cost-neutrality arrangements which meet the standards adopted by the Board (as discussed below). Typically, interagency staff working groups are established for this purpose, aiming at a staff report by the lead agency about 60 days after the application has been accepted for Board review.

Current Waiver Authority

The primary statutory demonstration waiver authorities for low-income assistance programs are found in Section 1115 of the Social Security Act, covering Aid to Families with Dependent Children (AFDC), Child Support Enforcement and Medicaid; and Section 17(b) of the Food Stamp Act.

Section 1115 permits waiver of any provisions of plans which states submit to receive funding under these Social Security Act programs. Included are eligibility and benefit levels which states have flexibility to set for AFDC and Medicaid, and additional requirements states may impose such as participation in employment-related activities.

The Food Stamp Act authority permits waiver of any provision of the Act for demonstration purposes, but includes significant limitations. The Secretary of Agriculture, for example, is prohibited from approving a demonstration which reduces any household's eligibility or program benefits. In addition, while no limit is placed on the numbers of demonstrations which can be approved, the Secretary of Agriculture (like the Secretary of Health and Human Services) may not approve permanent program changes under the demonstration authority.

Other low-income assistance programs also permit demonstrations of alternative practices. In particular, rental assistance programs administered by the Department of Housing and Urban Development can waive regulations to permit demonstration of alternative practices, and have had several special legislative authorizations for demonstrations of particular program designs, such as rental assistance vouchers.

States have also integrated into their demonstration proposals other program changes they have flexibility to make without special waivers. In particular, flexibility provided under the Job Training Partnership Act Block Grant and the Social Services Block Grant have been useful to states in coordinating the operations of these programs with their demonstration proposals.

Criteria for Review of State Proposals

The Board applies three criteria in its review of demonstration proposals. First, the proposal must have a chance of reducing welfare dependency while continuing to meet the needs of the population the program was intended to address. Second, costs to the federal government for the demonstration must be no greater each year than program costs would have been in the absence of the demonstration. Third, the proposal must include a sound evaluation plan.

It should be noted that, in order for a proposal to be approved, the Board need not agree with the specifics of a state's project. In keeping with the spirit of decentralized welfare reform, the Board views the contents of state proposals as the state's business--as long as the three basic criteria are met.

Reducing Dependency While Meeting Needs

The demonstration strategy gives states the maximum flexibility possible under current law to demonstrate alternatives within these broad policy goals. It is important that this flexibility not be used in a way that is harmful to those whose very subsistence depends on public assistance. "Meeting basic needs" is the Board's starting place for reviewing state proposals.

The Board has not received, nor does it expect to receive, state proposals that exploit their newfound flexibility for the purpose of slashing welfare benefits. On the contrary, many proposals seek to alter the availability of benefits to foster transition from welfare to work. However, all state proposals do recognize mutual responsibilities and obligations between the state and the recipient.

The increased obligations in state plans often involve requirements to participate in activities directly related to obtaining employment. The proposals often extend such requirements to mothers with younger children. Two proposals involve school attendance requirements for school-aged parents receiving benefits under Aid to Families with Dependent Children.

In other respects, the demonstrations aim to induce recipients to become self-sufficient by offering opportunities and other incentives not currently available or expanding those already provided. Short-term extension of eligibility for Medicaid, for those who lose AFDC eligibility due to increased earnings, is an element in several proposals. The current law provides for at least four, and as many as 16, months of transitional Medicaid. Several demonstrations provide 12-month transitional Medicaid.

Other opportunities and incentives are offered through adjustments to benefit structures and exemption from the requirement to look for employment for recipients who are in certain education programs. A number of states will make additional medical assistance or child care available for families leaving the AFDC rolls. Two have proposed changes to require, or provide incentives for, school-aged AFDC recipients to remain in school.

Specific examples of the types of program changes sought by individual states are included in the main body of this report. These examples show the wide variety of program changes which have been proposed as part of demonstration proposals--all within the Board's guidelines of overall cost neutrality.

Cost-neutrality

The second criterion the Board applies is cost-neutrality. For some time, state and local leaders have expressed confidence that they could make real progress in reducing dependency using the resources at hand, if only they were able to use these resources more effectively and efficiently. Provided a state demonstration proposal requires no additional federal spending than would exist in the absence of the demonstration, it will pass the Board's second test.

The Up From Dependency report to the President noted that the best survey data from the Bureau of the Census show that more welfare benefits are received from just the largest ten cash and non-cash programs than it would take to reduce the poverty rate in the United States to zero. However, only about half these benefits actually reduce poverty. Much of the money spent on welfare goes to persons and families whose other income brings them above the poverty line.

Other program funds not intended to reduce poverty directly but to promote self-sufficiency, such as training and education programs, were not captured in this survey data at all. And recent careful evaluation of mandatory employment related activities for adult AFDC recipients has shown that changes in the obligations imposed upon recipients by public programs also can be effective in promoting self-support.

On balance, there is considerable reason to hope that states can demonstrate effective ways to reduce dependency while meeting needs within current overall funding levels.

The states with proposals before the Board all believe they can do just that. All developed cost projections as part of their planning process. In addition, the terms and conditions the Board recommends for granting requested waivers include funding arrangements to insure federal cost neutrality.

These arrangements have taken a variety of forms. In some cases where additional costs under a demonstration are easily identifiable, the federal government has agreed to reimburse the state for those costs to the extent that savings from the demonstration have been demonstrated elsewhere. This permits a state to undertake a strategy of investing in additional services and benefits at the beginning of the demonstration with the expectation that resulting savings from eventual caseload reduction will permit later federal reimbursement for a share of the earlier expenditures.

Another state's demonstration generates lower costs in some programs from the start, so that the cost-neutrality conditions in the waivers provided allow reimbursement of new categories of

federal costs as long as savings generated stay ahead of these new costs. Other cost-neutrality arrangements have been agreed to as well.

The Board's procedures call for demonstrations to meet the standard of federal cost-neutrality each year for all affected programs when taken as a whole. Prior to the Board's creation, the costs of requested waivers usually were assessed in isolation. A change which, in concert with others, might have a positive effect upon reducing dependency, was in jeopardy of being rejected because, by itself, it involved additional costs.

The Board's cost-neutrality standard is system-wide, reflecting the complexity both of the welfare system and the problems of dependency. The cost impacts of demonstration proposals--considered as a package--are the subject of the Board's assessment.

Evaluation

The Board's third criterion is sound evaluation. One of the five recommendations to the President in Up From Dependency is that national changes not be supported, "...unless locally-tested, with evidence of reduced dependency." Mindful of a similar purpose for the statutory demonstration waiver authorities it coordinates, the Board has adopted a high standard for evaluation of demonstrations it recommends for approval.

A systemwide approach to evaluation of the effects of demonstrations has been adopted. If imposed on waiver requests in an uncoordinated fashion, evaluation requirements can constitute a burden as crippling to innovation as conditioning approval upon each waiver's separate cost effects. The Board has adopted a rigorous evaluation standard, but one which recognizes that program changes interact.

The Board's procedures require sound evaluation of the demonstration as a whole, while allowing that the federal agencies which exercise the waiver authority may have research interests in isolating the effects of individual elements in a comprehensive demonstration.

In recent years, significant improvements have been made in the methodologies applied to the evaluation of mandatory employment-related activities for AFDC recipients. Many of these improvements have been incorporated into today's social science research methods.

Basically, recipients are assigned at random into one group, which participates in the new program being evaluated, or into a second group, which continues to participate according to the rules of old program. When the samples are large, the random

assignment of two groups tends to eliminate other differences beside the one being tested in the experiment. Subsequent experience can be attributed with confidence to the one difference between the groups which is of interest, the fact that one group had the new program and one group had the old.

In adopting this "experimental design" for evaluations as its preferred method, the Board was cognizant of the added administrative effort required of states to conduct evaluations of such high quality. Other methods of evaluation which states may propose can be considered as well, if they approximate the reliability of the preferred method. And, under some circumstances, it is clear that other evaluation designs may be more appropriate, such as when a demonstration involves a particularly small number of participants, or aims to change the welfare culture of an entire community.

Regardless of specific methodology, the Board requires sound evaluation designed to show the difference, or impact, the demonstration made in comparison to what would have happened under the current programs without the demonstration. This measure of impact, or net effects, also typically forms the basis for the cost-neutrality arrangements discussed above. The Board's preferred method is to use the experience of a group assigned at random to continue to receive the old program as a basis for estimating what the costs of the old program would have been in the absence of the demonstration.

Ninety-day Time Frame

The Board's procedures set a target of 90 days for completion of the review process, starting with the decision to accept the proposal for review and advice, and ending with the decision by the Secretaries who exercise the waiver authority sought by the state. Since demonstration waiver applications dealing with single programs and reviewed by single agencies typically took longer to process, this target represented a significant commitment to increase the efficiency of the review process. To coordinate federal staff work on the proposal, the Board names a lead federal agency.

Within the first month of the review, the state is given an opportunity to present its proposal at a meeting of the Board. While waiver application documents typically include extensive descriptions of the proposed demonstration, presentations to a meeting of the Board offer the state the opportunity to address all the federal officials who will exercise their authority to grant or deny the requested waivers. Both states and Board representatives have found the presentations very helpful.

The procedures call for the Board to hear a staff report from the lead agency about terms and conditions recommended to insure that

the Board's objectives for evaluation and federal cost neutrality will be met. The staff report is to set out a basic agreement among federal agencies and the state concerning evaluation and cost-neutrality.

Ordinarily, the staff report will be made about 60 days into the review process. On the basis of the staff report, the Board will advise the relevant Secretaries of the terms and conditions which should accompany approval of the waivers.

APPENDIX B

SUMMARY OF THE UP FROM DEPENDENCY SERIES

The volumes of the Up From Dependency series represent the most comprehensive look at the nation's welfare system ever taken. They are for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Low Income Opportunity Working Group, Domestic Policy Council. Up From Dependency, A New National Public Assistance Strategy. Washington, D.C.: U.S. Government Printing Office, 1986.

This is the main report, summarized and highlighted the most important findings and conclusions from the initial study which included three supplements that described the welfare system in exhaustive detail.

The need to decentralize

The study's key conclusion was that weaknesses within our centralized welfare system contribute significantly to the persistence of poverty in America. A centralized system may be good at delivering money or other benefits to the poor, but it is terrible at delivering those benefits in ways that build self-reliance.

Based on the success of the community-based efforts it had reviewed, Up From Dependency proposed that the public assistance system should allow ideas and implementation to "percolate from the bottom up" from individuals, communities and states to the federal government.

The report was presented to the President in late 1986. The President accepted the report's recommendations and, in mid-1987, created the Interagency Low Income Opportunity Advisory Board to carry out the initiative.

Office of Policy Development, Executive Office of the President. Up From Dependency, Supplement 1: The National Public Assistance System. (Volume 1: An Overview of the Current System). Washington, D.C.: U.S. Government Printing Office, 1986.

Interagency Low Income Opportunity Advisory Board, Executive Office of the President. Up From Dependency, Supplement 1: The National Public Assistance System. (Volume 2: A Compendium of Public Assistance Programs - Major Federal Cash, Food, and Housing Programs). Washington, D.C.: U.S. Government Printing Office, 1987.

Interagency Low Income Opportunity Advisory Board, Executive Office of the President. Up From Dependency, Supplement 1: The National Public Assistance System. (Volume 3: A Compendium of Public Assistance Programs - Major Federal Health, Service, Employment, and Education Programs, Other Federal and State Programs). Washington, D.C.: U.S. Government Printing Office, 1987.

The Up From Dependency main report was supplemented by several volumes that examined, in great detail, the public assistance system. The first supplement, published in three volumes, describes current assistance programs, and tries for the first time in any major study to highlight their operations as a system--albeit not a very efficient or effective system.

The first of these volumes of Supplement 1 is an overview of the current system. The second and third volumes contain detailed descriptions of 59 major federally funded public assistance programs providing cash, food, housing, medical services, training, education or social services. Summary information on 31 other grant programs and 11 loan programs targeted for the low-income population also is provided.

The first volume was published in December 1986, along with the main report, Up From Dependency. Volumes 2 and 3 were published in September 1987.

Just determining the number of public assistance programs and their levels of funding was no simple matter. For example, recent efforts by the General Accounting Office and the Congressional Research Service resulted in different lists of programs aimed at helping the poor.

59 major means-tested programs

In FY 1985, the 59 major means-tested programs totaled about $132 billion in federal and state matching funds. This represented an increase of 525 percent in constant dollars since 1960. Another dozen means-tested programs spent less than $20 million each.

More than $8 billion was also spent by programs which are in some way targeted to low-income areas or groups, but do not ordinarily require individual families and persons to establish income eligibility. Eleven programs made $12 billion in loans to low-income people.

Information was developed from two sources of data developed and employed especially for the study. The first source was a survey of federal agencies administering programs targeted to low-income people to collect detailed information about their funding, numbers of recipients, history, rules and their interaction with other programs.

The second source was a longitudinal research file from the Survey of Income and Program Participation (SIPP) administered by the Bureau of the Census. For the report to the President, the Bureau of the Census linked data from the first 12 months of SIPP and generated tables which described the distribution of cash and non-cash benefits among the population. The Bureau also included estimates of the value of the non-cash benefits captured in SIPP, according to the most widely accepted valuation method from a series of technical papers published by Census on the subject.

Public assistance changed in form over the years. As a rule, the newer programs offered non-cash benefits intended to provide for specific needs. Food Stamps, which provide for nutritional needs, are an example of non-cash assistance. The percent of all assistance distributed in cash fell from 74.6 percent in 1960 to 43 percent in 1970, 27.1 percent in 1980 and 24.5 percent in 1985.

In FY 1985, ten programs provided cash assistance. Their combined spending was $32.3 billion, with four programs spending more than $1 billion each. Another 12 are food programs, with total spending of $20.4 billion; three spent more than $1 billion each, led by the Food Stamp Program with spending of more than $12.5 billion. Nine programs provided housing assistance, with spending of $13.7 billion and three larger than $1 billion each.

Health programs, led by Medicaid's $41.2 billion, spent $48.6 billion. Service programs--including social, community, family planning and legal services, and Head Start--totaled $4.9 billion. Both the Social Services Block Grant and Head Start spent more than $1 billion each. Nine employment and training programs totaled $4.0 billion, with one above $1 billion. Eight education programs had total spending of $8.3 billion; two were over $1 billion each.

Notwithstanding these totals, it is difficult to determine just how much is spent on any one category, such as food or housing.

For one thing, a single program may provide assistance that can be classified in more than one area. Take the cash assistance programs. While the benefit is cash, some of the money is clearly intended to buy food and shelter. As a rough measure, Food Stamp benefit calculations assume that 30 percent of "countable" income is available to buy food. If that rule of thumb is applied to cash assistance, about $10 billion of cash assistance may be considered available to buy food. Coupled with the $20.4 billion in food programs, that makes total food spending of about $30 billion. There are other examples of overlap.

From mid-1983 to mid-1984, the period of the SIPP longitudinal research file, more than 52.5 million Americans benefited individually, or were members of families receiving benefits, from some part of this federal public assistance system. Yet even SIPP did not capture all the assistance being funded by the federal government, so figures presented here are understated.

The "poverty gap"

The effect of these programs upon the economic well-being of their recipients was substantial. After counting the market value of the means-tested cash, food, housing and medical benefits captured by SIPP, the general poverty rate was reduced by about 42 percent, from a pre-public assistance level of 12.8 percent to 7.4 percent.

However, the effect upon poverty by the public assistance system was not achieved efficiently. Before any means-tested benefits were counted, it would have taken $51.6 billion to bring the general poverty rate for noninstitutionalized Americans down to zero. In fact, $59.2 billion in means-tested benefits were reported received in SIPP. (Other federally supported means-tested benefits were not captured in SIPP.)

Moreover, a poverty gap of $19.1 billion remained because only 55 percent of these benefits went to reduce poverty. The rest was received by persons, families or households with income above the poverty level, either because their non-welfare income was above the poverty level, or because means-tested benefits brought them up to the poverty level, then pushed them above it.

Several reasons help explain why practically half of all public assistance does not go to reduce poverty.

A tangle of rules and regulations

The story begins with Congress. Five committees of the House of Representatives authorize programs providing benefits in some non-cash form, such as rent subsidies for housing. Three other committees in the House authorize cash aid to meet general needs,

including housing, totalling eight committees providing federal funds for the housing needs of the poor. When all aspects of public assistance are considered, the two houses of Congress have 22 committees with jurisdiction.

From this tangled Congressional authority, a tangle of rules has grown.

Most programs allow persons or families with countable cash incomes above poverty to qualify for benefits. Other programs allow deductions from gross income which bring recipients' countable cash income down until it is under poverty levels for purposes of determining program eligibility.

And recipients typically receive benefits from several cash and non-cash programs, so that, although they may start out with cash income under poverty, after counting all income, they end up above.

Finally, many recipients of means-tested programs live with other family members who have other income sources, and thereby benefit from the economies of shared living arrangements.

The 59 major means-tested programs which constitute the public assistance system create these results with a dismaying variety of rules about assistance units, income measures and income levels and deductions. Each program's rules may be rational in isolation, but when viewed along with other program rules--as a system--they constitute a confusing cacophony.

Among their irrationalities is the practice of excluding practically all non-cash means-tested benefits from being considered in determining the need of families for additional means-tested benefits. This practice parallels the statistical practice of excluding non-cash benefits when determining the number of persons officially poor.

On top of self-reliance, family support, community charity and state and local public assistance, has grown a federal component of great size. This federal component has introduced disorder, a wide array of rules and purposes without overall coordination and a general practice of making programs blind to the effects of other non-cash programs.

The second supplement in the Up From Dependency series is still in preparation. It will review state and community-based welfare reform programs. The next volume currently in print is labeled Supplement Three.

Office of Policy Development, Executive Office of the President. Up From Dependency, Supplement 3: A Self-Help Catalog. Washington, D.C.: U.S. Government Printing Office, 1986.

Current White House reform initiatives are based on the premise that significant reductions in welfare dependency will not be forthcoming unless they build on and reinforce innovative self-sufficiency strategies at the local level, especially those initiated and directed by the poor themselves.

"Self-help" or "mutual help" programs attempt to enhance the economic and social well-being of low-income people directly through highly personal, localized efforts that invite the active participation of those to be "helped."

Thus, self-help is a proactive process that recognizes mutual obligations. People involved in self-help programs are given not so much a "handout"--but rather the capacity with which to help themselves and each other.

In 1986 The Low Income Opportunity Working Group commissioned a nationwide inventory of self-help and mutual-help programs in low-income communities. The "Self-Help Catalog," released in late 1986, describes 385 self-help programs from 47 states.

By its very nature, the self-help movement is highly fragmented and geographically dispersed. And the tremendous variety of programs makes it difficult for policymakers to "get a handle" on this movement and its long-term potential in helping to reform the country's welfare system. The catalog attempts to demonstrate that, taken in total, self-help efforts represent a powerful force indeed--and one worthy of serious attention.

It is the Board's hope that the catalog will contribute to the development of public policies at the national, state and local levels that build on and reinforce successful self-help efforts of the poor and minorities. Creating awareness of the existence of these local groups was a first step in this process.

Conducting the self-help inventory

MACRO Systems, Inc. and the National Center for Neighborhood Enterprise were contracted to conduct this inventory of selected self-help and mutual-help programs in low-income communities. Over a five-month period, profile information on the 385 programs was obtained through telephone interviews and material from the

media, self-help newsletters, brochures, progress reports and videotapes.

Because of time constraints, the programs selected for inclusion in this catalog represent, by necessity, only a small fraction of the large universe of self-help programs that exist throughout the nation. Moreover, it should be noted that inclusion of a program in the catalog does not constitute an endorsement by the federal government.

Profiles of Self-Help Programs

The self-help and mutual-help programs listed in this catalog include programs that involve blacks, whites, Asians, Native Americans and Hispanics. All ages are represented in these self-sufficiency initiatives. Youth-directed enterprises are taking place in low-income communities side by side with programs to enhance self-sufficiency among seniors.

To be included in the catalog, low-income persons had to be actively involved in the development, implementation (e.g., as staff or volunteers) or direction (e.g., as board members or advisers) of the self-sufficiency programs listed.

Programs profiled concentrate on a wide spectrum of issues of vital concern to low-income groups and communities. Programs include efforts to reduce adolescent pregnancy and high school dropout rates. Some programs aid single parent families and enhance parenting skills. Others combat drug or alcohol abuse. Still others concentrate on the plight of the homeless. There appears to be no limit to the nature of self-help activities; each program, having sprung up from an individual community need, appears different from the rest.

Many programs focus on several areas of concern simultaneously. Of the 385 self-sufficiency programs listed in the catalog, three-fifths (59%) focus on strengthening families; two-fifths (42%) on employment; two-fifths (39%) on education; one-third (32%) on community development; one-fourth (24%) on housing; one-fifth (20%) on business development; and one-tenth (11%) on promoting responsible behavior. Numbers add up to more than 100 percent because many programs addressed more than one type of problem at a time.

The success--and promise--of the self-help movement

In case after case, local organizers have shown that they can do a better job of dealing with their problems than any government agency had before.

As was discussed in the main body of this annual report, a working group of the Interagency Low Income Opportunity Advisory

Board is seeking a meaningful--and helpful--role for the federal government to play in the development of this very exciting movement. The trick will be to offer real help--without snuffing out the enormous energy of the self-help movement in the process.

Interagency Low Income Opportunity Advisory Board, Executive Office of the President. Up From Dependency, Supplement 4: Research Studies and Bibliography. Washington, D.C.: U.S. Government Printing Office, 1988.

Over 20 years have passed since the War on Poverty was launched, yet dependency on public support remains widespread.

Some argue that many of the poor have fallen into a world of long-term dependency, with behavior and attitudes conditioned by the anti-work and anti-family incentives of the welfare system. Others challenge the idea that welfare programs create or sustain poverty, arguing instead that poverty and dependency are largely short-term phenomena resulting from divorce, separation, widowhood and/or a temporary decline in earnings or child support. As families adjust to these changes, their dependency ends.

Supplement 4 of the Up From Dependency series presents a review of the research on dependency and welfare use among the able-bodied nonelderly.

The importance of research

Past experience indicates the importance of research and rigorous evaluation when considering permanent changes to welfare programs. Social scientists have long tried to measure the effects of welfare policies and programs on the behavior of welfare recipients, but this is often an imprecise and difficult task.

The most effective way of measuring the impact of a program or policy is to first implement it as a demonstration or experiment, and evaluate it by randomly assigning eligible participants to separate treatment and control groups. This procedure is referred to as true experimental design and allows the impact of a program to be measured by comparing the group receiving the treatment to an otherwise similar group not participating in the program.

While not perfect, researchers generally agree that it is the best evaluation methodology available. Other evaluation methods, however, are often used as well.

Length of stay on AFDC

Recent research suggests that for those going on AFDC, most spells are short-term, lasting two years or less, while fewer than one-sixth spend eight or more continuous years on the program.

At any point in time, however, half of all AFDC recipients are in the midst of long-term spells. In other words, while the AFDC population at any one point in time is made up of predominantly long-term users, the typical recipient is a short-term user. However, many welfare recipients have more than one spell of welfare use. Research that focuses on the total expected time AFDC recipients are on the welfare rolls shows a greater prevalence of long-term welfare use.

Why people enter--and exit--AFDC

In addition to addressing the link between welfare benefits and welfare duration, it is important to understand the determinants of entry and exit from AFDC. Here research indicates that 75 percent of all AFDC beginnings are due to a change in family structure, while a reduction in the earnings of a single female head accounts for just 12 percent.

Exits from AFDC follow a similar, though not identical pattern, with earnings playing a much more substantial role. Studies of the correlates of dependency reveal that the probability of receiving welfare, spell length and recidivism vary markedly according to a number of factors. The group that is most likely to spend a long time on AFDC is young (25 or younger), black, never-married women with young children who had their first child as a teenager and dropped out of school and have little or no prior work experience.

The group most likely to spend a short time on AFDC is older, divorced or separated, white women with older children, a high school education and some prior work experience.

The effect of work incentives

The work disincentive effects of welfare have been the focus of substantial research. In particular, the level of benefit payments and rate at which benefits are reduced (the benefit reduction rate) are both thought to influence work effort. Numerous studies indicate that the level of benefits has a substantial impact on hours of work, with higher benefits reducing the earnings and self-support of the poor.

However, there is no consistent evidence that varying the benefit reduction rate has a major impact on work effort. A lower benefit reduction rate would appear to increase the reward for work and hence work effort, but by extending the disincentives of the welfare system to those who would otherwise not be exposed to them, it has a contrary effect as well.

One of the major shortcomings of research is the effect of welfare on work effort. Most studies in this area, focus on only AFDC. Estimates are also often based on small differences in

benefit levels. Rather, the very existence of welfare may "enable" potential recipients to choose nonwork over work, regardless of marginal differences in benefit levels.
A number of employment and training programs have been enacted since the early 1960s to address the employment problems of the economically disadvantaged, including welfare recipients. In particular, legislation passed since 1981 has led to an increasing level of interest in work requirements and other strategies leading to work, due, in part, to the ineffectiveness and cost of financial incentives (in the form of lower benefit reduction rates).

Most early studies of employment and training programs were plagued by methodological problems, but more recent research of AFDC work programs using experimental design show some promising results. A number of programs from throughout the nation show that job search, workfare and other similar programs can be effective in promoting the employment of welfare recipients, increasing their earnings and reducing their dependence on public assistance. They can also be cost-effective for the participants, government and society as a whole.

Changing family structure

Over the last 30 years, there have been substantial changes in family structure in the U.S. The current welfare system, and AFDC in particular, has been criticized as having perverse "anti-family" incentives. By providing a stable source of income to single mothers, AFDC is alleged to promote marital instability, illegitimacy, and the establishment of independent households, while discouraging marriage and remarriage.

Even the best research in this area has numerous methodological problems. Overall, the evidence suggests that welfare has a modest effect on increasing the number of female-headed households, particularly by increasing the propensity of young mothers to set up independent households, rather than to live with others, such as their parents. Also, most studies that have examined the impact of extending cash assistance to two-parent families find that such programs actually tend to increase marital instability, rather than reduce it.

The impact of welfare on other issues, such as migration and the intergenerational transmission of welfare receipt is also examined in this supplement. Generally, welfare is found to have small effects on such decisions. However, considerably more research on the behavioral effects of welfare is needed, particularly in assessing the impact that a combination of welfare programs has, rather than just AFDC.

Summary

We believe the lack of clear-cut research evidence to date regarding what really works in public assistance supports our call for a more decentralized, flexible system. States and communities are closer to the action; they should be given the necessary tools to respond as changes warrant.

The "bottom line" question researchers must ask is this: What will it take to design a welfare system that actually reduces dependency? Currently, we have no real answer.

There is much we need to learn, much more research that should take place. Our demonstration strategy provides a number of good laboratories in which to conduct research. We believe welfare reform ideas should be researched--in an experimental setting--before more large "top down, national solutions" are imposed on the states. It is usually the untested "solutions" we later come to regret.

APPENDIX C

THE "SELF-HELP WORKING GROUP" REPORT TO THE INTERAGENCY LOW INCOME OPPORTUNITY ADVISORY BOARD

The White House Workshop on Self-Help Efforts and Welfare Reform was held on June 9-10, 1988. Its charge was to explore and develop strategies for involving community-based self-help groups more actively in initiatives to achieve economic independence for low-income families and individuals. At the end of this two-day workshop, the conferees concluded:

> "It is the consensus of this Workshop that genuine welfare reform requires a dramatically increased effort to strengthen self-help organizations working to assist the poor to rise above poverty and dependency, and that a new effort must be made to create a mutually supportive relationship between self-help organizations and the public agencies which comprise the welfare system, to do so."

Accordingly, the conferees made a series of wide-ranging recommendations designed to achieve the workshop's objectives.

When the general results of the workshop were reported to the Domestic Policy Council, the Council endorsed the formation by the Board of an interagency working group to review the workshop recommendations, and to identify actions the Administration could take in response. On June 23, 1988, the Interagency Low Income Opportunity Advisory Board (ILIOAB) established this "Self-Help Working Group."

The Self-Help Working Group has carefully reviewed the recommendations of the Workshop on Self-Help Efforts and Welfare Reform and found their objectives to be generally consistent with the principles that guide the decisions of the Interagency Low Income Opportunity Advisory Board and the Up From Dependency approach.

The Working Group believes that, as the federal government determines how it can best support the growth of successful self-help programs, it should be careful not to suppress the essential independence, innovation and flexibility of self-help groups. Recognizing that the self-help movement can be an effective complement to the present welfare system, federal, state and local governments should actively work together to encourage and further self-help initiatives in the private sector. These efforts should carefully avoid actions that would institutionalize or bureaucratize support for such groups, or that could make self-help groups dependent on government funds for their survival.

The Working Group believes that the Federal role appropriately should be that of (1) identifying and describing existing self-help programs; (2) encouraging and promoting successful self-help initiatives; and (3) working with self-help organizations to remove government barriers to their efforts.

It is in light of these general comments that the Working Group recommends the following actions to the Board. The Working Group endorses, in general, the workshop conferees' five major recommendations indicated below, and believes that the objectives of many of the more specific recommendations can be accomplished within the guidelines noted above.

RECOMMENDATION I:

"Self-help organizations should be strengthened to play a greatly expanded role in achieving the goals of welfare reform through a series of demonstration projects."

Among specific suggestions made at the workshop, participants proposed the initiation of 25 welfare reform demonstrations to explore the potential of self-help groups in a broad array of activities, ranging from providing services, such as public housing management, to developing small businesses.

Response:

The Administration should support this recommendation's general goal.

Demonstrations to develop, use, and assess self-help approaches should be encouraged in accordance with the general principles identified by the Working Group. The Board should promote and encourage demonstration projects, either by identifying existing projects with proven success or by using current budget authority for demonstration projects. The Board should also promote recognition of local self-help efforts at the state level.

Suggested Actions:

1. The President should direct the Board to prepare a plan to identify during the next 12 months promising demonstration projects, involving either demonstrations already underway, or new, cost-neutral demonstration projects submitted to the Board by the states that can be undertaken within existing agency resources and budgets. In accordance with standard Board procedures, new welfare reform demonstrations incorporating self-help approaches that are presented to the Board must be sponsored by the state in which the group is situated, and assessed according to the same criteria that the federal government uses to approve state demonstrations:

cost-neutrality and soundness of the evaluation plan.

2. Federal agencies which grant funds for self-help projects should be requested to ensure that as many inventive new projects are encouraged as can reasonably be accommodated within existing budgetary guidelines.

3. The Board should encourage state and local governments to work with self-help groups in developing demonstration activities in their jurisdictions. In identifying and developing such demonstrations, states and localities should make efforts to work more effectively with and utilize the resources and technical expertise of a range of existing resources such as other community-based organizations, university and independent study centers.

RECOMMENDATION II:

"The present legal and administrative barriers to a more effective welfare system ought to be reduced or eliminated."

Workshop participants suggested that States and local governments be permitted greater flexibility in tailoring benefits to individual needs. Toward this end the creation of federal and state welfare reform review boards also was suggested.

Response:

The Administration should support this recommendation, with modifications.

Efforts to remove legal and administrative barriers to self-sufficiency should certainly include providing states and localities greater flexibility in administering federal regulations and federally provided funds. As a result of the interagency waiver process coordinated by the Board, major steps in this direction already have occurred. These steps have permitted adapting federal laws and regulations to local needs and dependency-reducing approaches through state welfare reform demonstrations.

The Working Group believes the present Board meets the objectives of this recommendation. The creation of a new federal welfare reform review board would duplicate the work of the Board. However, the states should be encouraged to explore ways to increase the involvement of self-help leaders in improving the "Up From Dependency" process, with advisory committees being one step with significant potential.

The call to remove barriers goes further, however, and has special significance regarding self-help. Any major thrust to

identify and remove barriers to self-help must start with the body of law involved. Regulations grow out of legislation. So educating elected officials--from Congress to local officials--about self-help, is very important.

Suggested Actions:

1. The Board should invite states, localities and self-help groups to identify legal and administrative barriers to self-sufficiency at the federal, state and local levels and to suggest strategies for overcoming them. As part of this effort, the Board should call upon relevant agencies within the Executive Branch to identify federal impediments to creative self-help efforts.

2. The Board should dedicate a meeting of the Board on a regularly scheduled basis to discuss the information provided by states, localities and self-help groups on self-sufficiency efforts in a broad range of areas. In addition, the Board should encourage states to consult with self-help groups in developing state demonstration proposals involving self-help components.

3. The Administration should join with self-help leaders to improve understanding of the self-help process on the part of Congress and other officials.

RECOMMENDATION III:

"The exchange of useful information and experiences should be expanded and accelerated so that self-help organizations may become more effective instruments of reform."

Workshop participants proposed a broad range of initiatives at the federal, state and local levels to facilitate the exchange of information and experiences concerning promising self-help efforts.

Response:

The Administration should support this recommendation's general goal.

We concur that the federal government should assign high priority to promoting successful self-help initiatives. To accomplish that objective, self-help efforts that currently exist should be identified and assessed. A major step by the White House in this area was the description of a selected 385 self-help programs in a volume of the 1986 series of Up From Dependency reports. This Self-Help Catalog should be expanded and more widely and effectively distributed to self-help groups, public officials and

academia.

The Working Group believes that the private sector can more effectively develop such projects as operation of a clearinghouse.

Suggested Actions:

1. The President should direct the Board to continue to facilitate the exchange of information on successful self-help initiatives. To carry out this function, the Board should develop an information dissemination strategy that would include the identification and promotion of self-help projects sponsored with federal funds, and the identification of ways that existing information clearinghouses and other information sources could be used more effectively to promote self-help efforts. The strategy should also explore the desirability and feasibility of a privately-financed central information exchange.

2. Governors should be encouraged to take steps to more effectively harness the energies of the self-help movement in the cause of reducing dependency. Distribution to the governors of the Workshop recommendations, and of the DPC-approved recommendations for responsive Administration actions, should be the first step. The Working Group recommends that the President be requested to contact the governors distributing the report and encouraging their participation.

3. The Working Group recommends that over the next six months, the Board update and expand the Self-Help Catalog and computerize the identification of self-help groups.

RECOMMENDATION IV:

"Outstanding self-help organization performance, individual efforts and corporate support should be recognized at state and national levels at annual conferences and award ceremonies."

Workshop participants proposed that awards for exemplary self-help efforts fostering progress by low income people be instituted by the President and governors.

Response:

The Administration should support this recommendation. Awards help surface and communicate what works. High priority should be given to the establishment of a Presidential Achievement Award for Self-Help, with awards to be focused on self-help among those of low income.

Suggested Actions:

1. As soon as possible, the President should be requested to establish annual non-monetary awards recognizing self-help achievements, so that the first annual awards can be given during this calendar year and be effectively promoted. At the same time, specific arrangements should be put in place to ensure that the award will attract major public attention.

2. State and local governments also should be encouraged to promote self-help efforts through such activities as major, state-wide public conferences, workshops and well-publicized award ceremonies.

RECOMMENDATION V:

"The Board should coordinate all federally-funded research on the opportunities and experiences of self-help organizations in welfare reform."

Response:

The Administration should support the thrust of this recommendation, but with modifications.

There is need for (and great potential in) assuring the flow of information among federal agencies, states, local governments and self-help groups on research pertinent to self-help initiatives. However, the Board should not have direct responsibility for coordinating all federally-funded research on self-help as a force in welfare reform, since this would involve an unwarranted transfer of agency responsibilities to the Board.

Suggested Action:

1. The Board should serve as a contact point for agencies to provide information on research relating to self-help efforts. As an initial step, and in addition to the suggested actions in response to Recommendation III, the Board should compile by December 30 a self-help research agenda identifying research and evaluation efforts underway in the federal agencies, involving relevant self-help activities, with special emphasis on the interaction between such activities and the current welfare system.

SEVEN VOLUMES IN THE WELFARE REFORM SERIES

Low Income Opportunity Working Group, Domestic Policy Council. Up From Dependency: A New National Public Assistance Strategy. Washington, D.C.: U.S. Government Printing Office, 1986.

Office of Policy Development, Executive Office of the President. Up From Dependency, Supplement 1: The National Public Assistance System. (Volume 1: An Overview of the Current System). Washington, D.C.: U.S. Government Printing Office, 1986.

Interagency Low Income Opportunity Advisory Board, Executive Office of the President. Up From Dependency, Supplement 1: The National Public Assistance System. (Volume 2: A Compendium of Public Assistance Programs - Major Federal Cash, Food, and Housing Programs). Washington, D.C.: U.S. Government Printing Office, 1987.

Interagency Low Income Opportunity Advisory Board, Executive Office of the President. Up From Dependency, Supplement 1: The National Public Assistance System. (Volume 3: A Compendium of Public Assistance Programs - Major Federal Health, Service, Employment, and Education Programs, Other Federal and State Programs). Washington, D.C.: U.S. Government Printing Office, 1987.

Office of Policy Development, Executive Office of the President. Up From Dependency, Supplement 3: A Self-Help Catalog. Washington, D.C.: U.S. Government Printing Office, 1986.

Interagency Low Income Opportunity Advisory Board, Executive Office of the President. Up From Dependency, Supplement 4: Research Studies and Bibliography. Washington, D.C.: U.S. Government Printing Office, 1988.

Interagency Low Income Opportunity Advisory Board, Executive Office of the President. Up From Dependency, Supplement 5: First Annual Report. Washington, D.C.: U.S. Government Printing Office, 1988.

Note: Other supplements in the series are being planned.